Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
				their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
		Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	**The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.** 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to

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				➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21.
		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.

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				to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	5) All disclosure requirements as required by IAS 36.
IAS 11 AC 109	Construction contracts	Entire standard	Y	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.
IAS 14 AC 115	Segment reporting	Entire standard	Y	1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.	**The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.** The primary reporting format requires inter alia, disclosure of: 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to

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				4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.	acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	1) The municipality must obtain copies of all existing current lease agreements. 2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease. 3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired. 4) A complete Lease Contract Register must be kept to ensure the completeness of lease transactions. 5) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).	**The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows:** 1) Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done the amount recognised in the Statement of Financial Performance will be the average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS. If the actual instalments in a year are less than the average instalment the difference will be shown either as an accrual (creditor) in the AFS.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	Y	1) The municipality must obtain actuarial valuation reports of all defined benefit plans. 2) The valuations obtained in point 1 above will have to studied and analysed to extract all the relevant information necessary for defined benefit accounting	No work had been done in terms of IAS 19 as of yet. Thus the full requirements and steps listed in the previous column must still be performed.

APPENDIX I

GEORGE LOCAL MUNICIPALITY : STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

2(A) Electricity Statistics (Credit Meters)	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
			GEORGE		
2.1 Total Number of Users (Res & Com)	39,600	3,757	3,978	5,550	6,244
2.2 Units Bought / Generated	458,659,000	430,765,281	399,321,562	386,398,710	367,746,290
2.3 Units Sold	402,033,200	384,688,450	357,585,731	364,248,387	347,961,082
2.4 Units Lost in Distribution (2.2 - 2.3)	56,625,800	46,076,831	41,735,831	22,150,323	19,785,200
2.5 Units Lost in Distribution as % of 2.2	12.3%	10.70%	10.45%	5.73%	5.38%
2.6 Cost Per Unit Bought / Generated	20c	16c	16c	15c	15c
2.7 Loss in Distribution (2.4 x 2.6)	11,325,160	7,372,292	6,677,733	3,322,548	2,967,780
2.8 Cost Per Unit Sold (Oper Exp / 2.3)	30c	31c	29c	28c	29c
2.9 Income Per Unit Sold (Oper Inc / 2.3)	43c	42c	38c	33c	32c
2.10 Total Expenditure	119,774,806	119,920,378	106,475,459	105,511,265	98,026,294
2.11 Total Income	172,948,877	160,777,388	138,203,876	120,959,151	108,444,831
2.12 Total Cost of Bulk Purchases		70,429,849	64,905,242	61,564,981	55,105,787

* Only permanent employees

2(B) Electricity Statistics (Pre-Paid Meters)	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
			GEORGE		
Active RDP's/Meters	33,275	31,803	31,032	29,460	28,766
Total Sales					
Electricity	R 67,588,204.03	R 59,370,253.08	R 51,946,363.57	R 44,004,257.63	R 37,242,047.13
VAT	R 9,462,637.44	R 8,312,387.51	R 7,272,998.33	R 6,244,972.38	R 5,215,827.35
Auxiliaries	R 990,345.63	R 1,177,429.03	R 1,146,197.53	R 1,313,401.34	R 1,538,031.60
Subtotal (Pre-Payment) - Including VAT	**R 78,041,187.10**	**R 68,860,069.62**	**R 60,365,559.43**	**R 51,562,631.35**	**R 43,995,906.08**
Service Payments	R 241,701,646.34	R 219,822,178.93	R 193,587,520.81	R 119,674,225.91	R 153,911,920.71
Vote Payments	R 473,856,404.65	R 206,942,303.28	R 278,076,857.48	R 453,412,409.82	R 260,410,339.99
Total Including VAT	**R 793,599,238.09**	**R 495,624,551.83**	**R 532,029,937.72**	**R 624,649,267.08**	**R 458,318,166.78**
Total BSST Sales Journals	**R 3,186,391.52**	**R 3,186,391.52**	**R 2,938,032.39**	**R 2,283,022.34**	**R 1,665,073.93**
% Auxiliaries of Total (PP Electricity) Revenue	1.26%	1.71%	1.94%	2.55%	3.50%
Total KWH Energy Dispensed					
Resource (KWH)	164,737,218.40	155,312,261.30	143,318,828.00	132,082,377.10	122,345,647.00
BSST	8,964,030.00	8,656,810.00	7,807,340.00	5,417,220.00	5,650,080.00
Free Issues	445,589.70	241,584.40	233,880.40	189,593.00	219,276.60
Total	**174,146,838.10**	**164,210,655.70**	**151,360,048.40**	**137,689,190.10**	**128,215,003.60**
Transaction Total Summary					
Resource (KWH)	2,026,817.00	2,099,341.00	2,008,837.00	1,804,852.00	6,692,449.00
BSST (excluding duplicates)	338,260.00	331,753.00	319,266.00	276,523.00	282,504.00
Service Payments	164,038.00	333,082 00	173,339.00	138,708.00	156,153.00
Vote Payments	75,170.00	54,639.00	50,721.00	33,437.00	24,736.00
Free Issues	2,173.00	1,143.00	1,067.00	1,027.00	1,937.00
Average KWH units resource per transactions	81.41	74.17	71.36	73.30	75.76
Average revenue per resource transaction	33.41	28.41	25.87	28.72	27.24
Average consumption (Kwh) / Active consumer	443.85	393.23	386.40	381.29	385.07
Total New Meters on SMS		1,033.00	1,642.00	2,620.00	2,304.00
Total Meter Replacements on SMS		1,936.00	1,149.00	1,000.00	911.00

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				as set out in IAS 19. 3) The necessary disclosures in terms of IAS 19 must still be performed.	
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46. 2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit). 3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account.	1) Unbundle the balance on the GGR and transfer it to a deferred income account. 2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income. 3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.

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				4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.	
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.

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				recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file. 2) Ensure that all intangible assets identified are measured initially at their cost price. **Examples** of items which may meet the definition of an intangible asset in the municipal environment are: • The cost of the General Valuation Roll • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. 3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.	**The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:** 1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in a reduction in the carrying amount of PPE and an increase in a new asset called intangible assets. 2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year. 3) If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality. 4) An accounting policy note related to the accounting treatment of Intangible assets will need to be developed and disclosed. 5) The municipality shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) The useful lives or the amortisation rates used;